

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

JUN 23 1956

My dear Mr. Dulles:

Enclosed are six copies of this year's foreign, positive, strategic intelligence cost estimates together with comparative summary data for fiscal years 1956 and 1957. The tabulations have been prepared by the Bureau of the Budget for its own use and for use by the President's Board of Consultants on Foreign Intelligence Activities on the basis of estimates submitted by the several departments and agencies engaged in intelligence activities.

Because of the detailed information on covert collection included in the estimates, the Bureau is not distributing copies directly to the individual contributors. Rather, we are again taking the liberty of sending multiple copies to you as Chairman of the Intelligence Advisory Committee with the request that you make whatever distribution you deem appropriate.

Sincerely yours,

Maurice H. Stans
Director

Honorable Allen W. Dulles
Director of Central Intelligence
Washington 25, D. C.

Enclosures

On file OMB release instructions apply.

EXECUTIVE OFFICE OF THE PRESIDENT

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NOTES

1. This is the fifth in a series of annual reports prepared by the Bureau of the Budget on estimated foreign, positive, strategic intelligence efforts. Like earlier reports it is subject to a rather wide margin of possible error because the existing budget and accounting structure of the agencies does not permit easy identification of all intelligence activities. The tables represent estimates which cut across a large number of separate appropriations and the data cannot be related directly to actual accounting figures. The precise margin of error, which is most significant in Department of Defense estimates, cannot be determined but it is probably at least 25%, meaning that the real cost of intelligence activity may amount to as much as [REDACTED]

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2. Included in this report are summary tables for the past three years which are intended to give some indication of trends in the total intelligence program. During these three years, there has been very little change in the format of the reports and the criteria which served as their base.

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3. As is evident, roughly [REDACTED] of total intelligence costs are borne by the Department of Defense. The non-Defense agencies appear to have achieved a degree of consistency in interpreting the criteria issued by the Bureau of the Budget and their reports over the past three years evidence a high degree of stability. For the Defense agencies, however, quite the contrary is true; here we find large differences in the various reporting categories from year to year, explained presumably on the basis of varying interpretations of the reporting criteria. It is hoped that prior to the call for estimates for FY 1959 more specific guidelines can be agreed upon, so that the consumer in subsequent years will have a greater assurance that each of the service estimates are based on common understandings.

4. For this year's report Army cost and manpower estimates were based on submissions from the various continental armies, operating agencies, and overseas commands, using actual cost data and obligations where available. Navy estimates were based on known commitments for the first half of FY 1958 and then doubling these commitments. They were drawn up entirely in Washington without inquiry from the field. Air Force estimates on the other hand are largely a compilation of field agency submissions which were based on the latest financial plans of the contributors.

5. The Department of the Army has spread the cost of additions to capital equipment into categories 1 through 4, whereas the other services reported these items net of additions to capital equipment.

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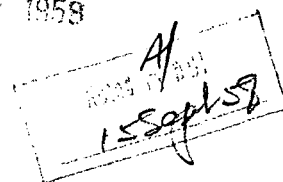
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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

SEP 17 1958



My dear Mr. Dulles:

In reference to NSC Action No. 1978, representatives of the Bureau of the Budget have discussed NSC Intelligence Directive No. 1 with General Cabell, General Truscott, and Mr. Robert Amory. The discussions were most helpful in providing necessary background information with regard to several aspects of the directive; in addition, our representatives suggested certain modifications which were understood to be acceptable to General Cabell for further consideration at an appropriate level.

Our primary concern, as you know, centered upon the relationship of the Director of Central Intelligence to the new U.S. Intelligence Board. The Bureau has long supported the principle of increased coordination of intelligence activities, and we welcomed the opportunity to discuss with your staff how the new NSCIDs relate to this objective. We do have some continuing concern about the language of NSCID No. 1, but since it does appear that present members of the USIB have a clear and common understanding as to the responsibilities which will now be vested with the Director of Central Intelligence for coordination of our foreign intelligence activities, we are prepared to withdraw our previously expressed reservations with respect to paragraph 2a. In the case of future revisions, however, we would hope that the Bureau of the Budget would be afforded an early opportunity to participate in order to assist in minimizing possible future ambiguities.

The composition of the new USIB has given us some concern, although we realize that it reflects accurately current intelligence capabilities within the Government. In view of possible organizational changes which may ensue under the Defense reorganization program, we feel that the membership of the Board may be a proper subject for consideration at a later date. //

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

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- 2 -

General Cassidy, Staff Director of the President's Board of Consultants on Foreign Intelligence Activities, has been apprised of our discussions, and it is our understanding that General Hull concurs in the above conclusion with respect to paragraph 2a. Because of the wording of NSC Action No. 1978, however, you may wish to check with him formally.

Sincerely yours,

Manning H. Starnes
Director

Honorable Allen W. Dulles
Director of Central Intelligence
Washington 25, D. C.

cc: Honorable Gordon Gray
General J. E. Hull

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T/S 141167

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7 July 1958

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Report by the Bureau of the Budget on Foreign,
Positive, Strategic Intelligence Costs for FY 1958

1. This memorandum is submitted for your information only.

2. The attached report has been reviewed. There is a minor difference of [] between the total shown for CIA and the correct amount, resulting primarily from a misunderstanding of our report. In addition, there is a small difference of six (6) in the number of personnel, due primarily to a clerical error in the compilation of the report in the Bureau. For general purposes of the report, however, to reflect the general magnitude of the Agency the totals are satisfactory. Of particular interest in reviewing this report are the comparative figures shown for the Fiscal Years 1956, 1957, and 1958. It will be noted that CIA costs in intelligence have increased from approximately [] in FY 1956 to [] in FY 1957 and [] in FY 1958. This is in accordance with the predictions made several years ago that intelligence operations in the Agency would continue to grow rather slowly. In reviewing the amounts reflected in the summary for other agencies, however, two are of particular interest. The reports reflect the growth of the intelligence costs in the Navy from about [] in FY 1956 to [] in FY 1957, and [] in FY 1958. During the same period the Air Force figures reflect a reduction from [] in FY 1956 to [] in FY 1957, and [] in FY 1958.

3. On the personnel side the Navy reflects increases comparable to the increases in dollars, from [] and [] in FY 1958. The Air Force does not, however, reflect such wide variation, the variation being [] and [] in FY 1958. A peculiar variation in personnel strength is also reflected in the NSA figures for the three fiscal years which does not parallel in any way the variation in dollar amounts.

4. It is requested that a copy of this report be furnished the Comptroller for retention inasmuch as there will no doubt be many references to it by the Bureau of the Budget during the course of the current fiscal year.

[]
L. K. White

Deputy Director

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